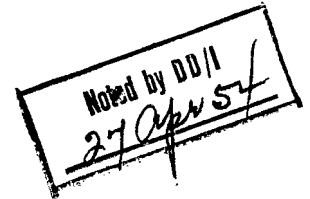


EXECUTIVE SECRETARY
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ER 5-4964

EXECUTIVE OFFICE OF THE PRESIDENT
NATIONAL SECURITY COUNCIL
WASHINGTON

April 26, 1954



MEMORANDUM FOR THE NSC PLANNING BOARD

SUBJECT: Preparation and Use of Financial Appendices in Connection with Policy Recommendations by the National Security Council

REFERENCE: Memo for NSC, "Preparation and Use of Financial Data in Connection with National Security Council Procedures," July 23, 1953.

The enclosed draft statement on the subject, prepared as a result of collaboration among officials of the Department of Defense, the Foreign Operations Administration, the Bureau of the Budget, and the NSC Staff, is transmitted for consideration by the NSC Planning Board as a proposed substitute for the approved statement circulated by the reference memorandum of July 23, 1953.

The enclosure is tentatively scheduled on the Planning Board agenda for Thursday, April 29, item 2. (1500)

JAMES S. LAY, Jr.
Executive Secretary

26
Apr
Memo

PREPARATION AND USE OF FINANCIAL APPENDICES IN CONNECTION
WITH POLICY RECOMMENDATIONS BY THE
NATIONAL SECURITY COUNCIL

Introduction

1. The President has directed that recommendations by the National Security Council include information as to the costs of the programs necessary to carry out such policy. Accordingly, each policy paper presented by the Council, with certain exceptions, will contain a Financial Appendix prepared to conform with this instruction. The exceptions to this instruction include (1) policy proposals having no or only minor cost implications; (2) policy proposals relating to programs of a particularly sensitive nature for which special arrangements have been made.

2. The Financial Appendix should reflect the new policy which the paper proposes. ^{Where} significant changes in ^{an existing} programs ~~are~~ shown in the Financial Appendix, ^{they} must be ^{based upon} ~~related to~~ the policy proposal ^{and fully} ~~or~~ explained in the ^{Financial Appendix.} ~~assump-~~ ^{tions.} The Financial Appendix should not in itself presume to dispose of policy issues.

Information to be Included in a Financial Appendix

3. The Financial Appendix should present:

a. Cost estimates to carry out the policy based on the best available information at the time of preparation, i.e. estimated expenditures during the first 4 years or the life of each program, whichever is appropriate for a significant estimate. In some cases, it will not be possible to estimate cost with precision.

In many cases, estimates of cost may necessarily be very rough and where appropriate may be expressed as arranged.

b. Other pertinent financial data, if any, bearing on magnitude of the program, such as prior expenditures, existing capital investment, available appropriations, etc.

c. A statement of the degree to which the costs are consistent with current programming in a above under approved policies.

d. A statement of the degree to which ^{any} the additional costs estimated in c above can be offset by the reduction or elimination of any other approved programs.

e. Any assumptions necessary to explain the basis upon which the foregoing estimates and statements are made.

4. Every Financial Appendix submitted to the Council will bear the following standard caption:

~~Cost estimates in the Financial Appendix indicate order of magnitude.~~
 Approval of the policy ~~paper~~ does not indicate approval of specific cost estimates.
 Appropriations and expenditures to finance the policy will be subject to review in the regular budgetary process.

The general magnitude of cost, but not of the specific cost estimates.

5. In general, all Financial Appendices will follow the form of the attached Financial Appendix. In any case where the attached form of Financial Appendix is not suited to the substance of a policy statement, the National Security

Council Staff will be responsible for outlining a form appropriate to the occasion.

Procedures for Preparation of Financial Appendices

6. Departments and Agencies

a. When a proposed policy ^{*covers programs which are*} ~~relates to matters~~ ^{*principally within the responsibility of the drafting and*} agency, the initial draft ^{*policy statement prepared by each agency*} ~~policy paper~~ will be accompanied by a Financial Appendix.

b. In other cases, the initial draft of a policy statement, submitted by the drafting agency for circulation to the members of the Planning Board, will not be accompanied by a Financial Appendix.

c. Immediately following the circulation of the initial draft of ^a policy statement, each interested department or agency will cost that section of the statement affecting its activities, in accordance with the ^{*above*} ~~attached form of Financial Appendix, and other instructions noted above,~~ ^{*instructions and the*} and will transmit the same to the National Security Council Staff.

7. National Security Council Staff

a. The National Security Council Staff will consolidate the financial data so received from each interested department and agency and will circulate the consolidated Financial Appendix to the members of the Planning Board.

b. The National Security Council Staff will be responsible for coordinating the views of all the departments and agencies involved, including the Bureau

of the Budget, on the initial and succeeding drafts of the consolidated Financial Appendix, with a view to having available an agreed Financial Appendix ^{for submission with the} ~~when the~~ policy ^{Statement} ~~paper is ready to be issued~~ to the Council.

8. Bureau of the Budget

a. The Bureau of the Budget will advise and assist the National Security Council Staff in the functions under "7." above.

b. If the Bureau of the Budget determines that the cost estimate of any department or agency differs substantially from the Bureau's cost estimate, the Bureau will discuss the differences with the National Security Council Staff and the department or agency in an attempt to arrive at an agreement.

c. If the policy statement under consideration involves expenditures of an agency not represented on the Planning Board, the Bureau of the Budget will identify such agency.

9. Planning Board

a. The Planning Board will consider all financial information concerning a policy statement before making its recommendations to the National Security Council.

b. In the case of a conflict of views as to cost estimates, the Planning Board may either defer consideration of the proposed policy statement pending further examination of the cost estimates or proceed on the basis of the available information. In any case of

conflict of views relative to cost estimates, the Planning Board will submit to the National Security Council a summary thereof.

c. In case a department or agency indicates the cost to carry out any aspect of the proposed policy statement will be an additional expenditure, the Planning Board will take this into consideration in making its policy recommendations to the Council.

10. Council Consideration

The National Security Council will consider all financial information transmitted to it by the Planning Board in presenting its recommendations to the President.

NSC DRAFT

FINANCIAL APPENDIX

DATE _____

Cost estimates in the Financial Appendix indicate order of magnitude.

Approval of the policy paper does not indicate approval of specific cost estimates.

Appropriations and expenditures to finance the policy will be subject to review in the regular budgetary process.

} See p. 2.

SUMMARY

1. Estimated expenditures for FY _____ through FY _____ total \$ _____ million. (Table I)

2. Based on the current programming of appropriations already made through FY 1954 and requested for FY 1955, and on estimated expenditures in those Fiscal Years, there would be an unexpended balance of \$ _____ million at the end of FY 1955 available for future expenditure. (Table II)

- Special Notes:
- a. All estimates are subject to the assumptions, footnotes, and detailed comments shown below in this Financial Appendix.
 - b. In order to cover the lead time required in some programs, funds must be made available well in advance of expenditures.
 - c. Amounts programmed as funds available are subject to future Executive decisions to transfer funds from one program to another, and to Congressional decisions on current appropriation requests.

ASSUMPTIONS

ESTIMATED COST OF THE PROPOSED POLICIESTable I. Expenditures by Programs

FY 195_ - FY 195_
(Millions of Dollars)

	<u>Actual</u> <u>Expenditures</u>		<u>Estimated Expenditures</u>				<u>TOTAL</u>
	<u>195_</u>	<u>195_</u>	<u>195_</u>	<u>195_</u>	<u>195_</u>	<u>195_</u>	
Military Assistance... \$	_____	_____	_____	_____	_____	_____	_____
Economic Assistance...	_____	_____	_____	_____	_____	_____	_____
Technical Assistance...	_____	_____	_____	_____	_____	_____	_____
Information Services...	_____	_____	_____	_____	_____	_____	_____
Educational Exchange...	_____	_____	_____	_____	_____	_____	_____
Other Programs.....	_____	_____	_____	_____	_____	_____	_____
TOTALS.....	_____	_____	_____	_____	_____	_____	_____

Table
I

Note: 1. All programs or activities necessary to implement the proposed policy should be included. Those shown above are illustrative only.

2. If the policy proposed envisions ~~different~~ ² alternatives, a comparable table of the estimated cost for each alternative should be prepared, e.g., oil settlement or no oil settlement; EDC or no EDC; etc.

Other possible

Table II. Availability of Funds in Relation to Expenditures

FY ____ - FY ____

(Millions of Dollars)

	<u>Total</u>	<u>Military Assistance</u>	<u>Economic Assistance</u>	<u>Technical Assistance</u>	<u>Information Exchange Activities</u>	<u>Exchange Activities</u>
UNEXPENDED CARRY- OVER INTO FY 195____ FY 195____	_____	_____	_____	_____	_____	_____
Plus: FY 1954 Funds	_____	_____	_____	_____	_____	_____
Equals: Total available for expenditures	_____	_____	_____	_____	_____	_____
Less: Estimated expenditures FY 1954	_____	_____	_____	_____	_____	_____
Equals: UNEX- PENDED CARRYOVER INTO FY 195____	_____	_____	_____	_____	_____	_____
Plus: FY 1955 Funds	_____	_____	_____	_____	_____	_____
Equals: Total available for expenditures	_____	_____	_____	_____	_____	_____
Less: Estimated expenditures FY 1955	_____	_____	_____	_____	_____	_____
Equals: UNEX- PENDED CARRYOVER INTO FY ____	_____	_____	_____	_____	_____	_____

NOTE: All programs and activities necessary to implement the proposed policy should be included. Those shown above are illustrative only.

DETAILED DISCUSSIONPrograms and Activities as Listed in Table I1. MILITARY ASSISTANCE:

Force goals (if not included in Staff Study); equipment programs; status and rates of delivery; OSP factors; expenditures for troops or for construction or maintenance not included in Table I which have an important bearing on the U. S. policy or objectives in the country or area concerned, etc.

2. ECONOMIC ASSISTANCE:

Factors affecting the level and future of assistance; programs involving surplus commodities additional to Table I; loans; variables; Battle Act or East-West Trade factors; etc.

3. TECHNICAL ASSISTANCE:

Types of assistance included; variables affecting the level and future of technical assistance; United Nations or other related activity, etc.

4. INFORMATION SERVICES:

Types of services included; quantitative data affecting the level, type and future of services; etc.

5. EDUCATIONAL EXCHANGE:

Number of persons involved in study program in U. S. and abroad, categories from which drawn: i.e. students, teachers, civic leaders, etc.; authorizing legislation and financing, etc.

6. ANY OTHER PROGRAMS:

Note: There shall be included in the detailed discussion under each program: (a) a statement of the degree to which the estimated costs are consistent with current programs (b) a statement of the degree to which any additional costs will be offset by the reduction in other approved programs

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